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PERSONAL INCOMES ON PRINCE EDWARD ISLAND

1. Introduction

The release of income related variables from the 1981 Census on April 26, 1983, was widely reported and in particular the reports emphasized the fact that incomes per person on P.E.I. were the lowest in Canada. The data referred to 1980 provincial average individual income statistics for the population 15 years and over and this measured $9,431 on Prince Edward Island which compared with $12,993 for Canada.

The presence of low incomes on P.E.I. should not be a surprise but perhaps of more interest, the data on incomes indicate that a major upward shift had taken place between 1970 and 1980 for incomes on P.E.I., both in absolute terms and by comparison with Canada and other Provinces. Individual incomes per capita in constant dollars on P.E.I. increased by 26.7 per cent 1970-1980 compared to 18.6 per cent for Canada and this rate of increase exceeded that of all other Provinces, with the exception of Alberta and Saskatchewan. Table 1 displays the percentage rates of growth between 1970 and 1980 of average incomes for males, females and totals, as well as the value of average incomes achieved in 1980. The fastest growing Provinces were Alberta, Saskatchewan, P.E.I. and Newfoundland, with Ontario and Quebec making the least gains. This Table also reveals the high rate of growth of incomes for females relative to males across all Provinces and particularly for Prince Edward Island where female income on average increased by 40.8 per cent. With the exception of Saskatchewan, which witnessed exceptionally high increases in male incomes in this period, female growth exceeded that of males in all Provinces. Table 1 also indicates that the rate of growth of female income was positively related to that of male income; for example, relatively weak growth was experienced by both males and females in Ontario while strong income growth was experienced by both sexes in Alberta and Prince Edward Island.

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Table 1

Average Individual Income of

Population 15 years and over, 1970-1980,

1980 Constant $, by Province and Sex

	% Growth 1970-1980			$ Average Income 1980		
	M	F	Total	M	F	Total
P.E.I.	27.4	40.8	26.7	11,963	6,528	9,431
Canada	19.0	34.2	18.6	16,918	8,414	12,993
Newfoundland	26.1	55.5	26.4	13,166	6,686	10,464
Nova Scotia	18.8	32.5	17.7	13,918	6,998	10,785
New Brunswick	22.5	36.5	21.7	13,406	6,749	10,423
Quebec	15.9	29.8	15.3	15,838	8,394	12,457
Ontario	11.1	29.0	12.0	17,517	8,635	13,315
Manitoba	21.4	36.9	20.4	15,306	7,624	11,674
Saskatchewan	53.0	48.3	45.4	16,384	7,627	12,421
Alberta	36.5	49.6	35.0	19,286	9,005	14,691
B.C.	24.5	44.3	24.5	18,875	8,916	14,239

Source: 1981 Census of Canada

In terms of P.E.I.'s relative position to other Provinces, in 1970 income per adult person on P.E.I. was 67.9 per cent of the Canadian average and 62.6 per cent of Ontario's which had the highest average income that year. By 1980, P.E.I. individual incomes had risen to 72.6 per cent of the Canadian average and 64.2 per cent of Alberta's which had the highest average individual incomes. It might be noted by 1980 Ontario incomes per adult person had fallen below those of both British Columbia and Alberta.

This issue of Economic Trends attempts to provide a general description and analysis of the movement of incomes for Prince Edward Island in the past two decades. It will be seen that incomes per capita on P.E.I. improved relative to the national average consistently during the past twenty years and this can be traced to major economic forces that were at work in these years.

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2. Income Growth on Prince Edward Island

Personal incomes are composed of two general components; earned incomes and the receipt of transfers. Earned incomes are dominated by wages, salaries and supplementary labour income, which provided 52.5 per cent of all income on P.E.I. in 1981, as well as military pay and allowances, net income from farm operations, net income of unincorporated business (excluding farms), including rent, and interest dividends and investment income. Transfers to persons are made principally by provincial and federal governments and they include Unemployment Insurance benefits, Family Allowances, Old Age Security, Direct Relief and payments under the Canada Pension Plan, as well as other items.

Table 2 identifies the major components of personal income for Prince Edward Island, showing rates of growth in constant dollars by 5 year periods between 1961 and 1981. These data are not portrayed on a per capita basis in order to highlight the overall economic gains that were being made in this period.

Table 2

Personal Income Growth on

P.E.I., by Component

1971 Constant $

	1961	% Increases, 5 year periods				1981
	% Total	1961-66	1966-71	1971-76	1976-81	% Total
Wages and Salaries & Supple. Income	52.0	+30.2	+45.3	+50.8	+7.1	52.5
Military Pay and All.	4.9	+79.1	+8.3	+3.1	-30.6	2.3
Net Income, Farmers	6.8	-3.2	-5.6	+57.6	+56.0	5.1
Net Income Uninc. Business	13.7	+15.5	+25.0	-10.4	+4.5	6.1
Interest, Dividends & Investment Income	4.9	+61.2	+29.6	+60.1	+81.4	10.7
Total Earned Income	82.3	+29.8	+35.1	+41.2	+13.9	76.7
Government Transfers	17.6	+34.6	+51.7	+67.1	+13.9	22.6
Total Personal Income	100.0	+31.5	+38.3	+46.5	+13.6	100.0
Population Growth		3.7%	+2.9%	+5.9%	+3.6%	

Source: Stats Can. 13-201, converted to constant $ using the Canadian Consumer Price Index.

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The Table demonstrates several important aspects of income growth on Prince Edward Island between 1961 and 1981. Gains to personal income on P.E.I. in constant dollars accelerated in each of the 5 year periods 1961-1966, 1966-1971 and 1971-1976 when they reached a peak rate of growth of 46.5 per cent. This represents an annual growth rate of approximately 7.9 per cent. Between 1976 and 1981 this rate of growth distinctly slowed, to 13.6 per cent over the 5 years. The growth of government transfers exceeded growth of earned incomes in each period between 1961 and 1976 and it kept pace with the growth of earned incomes in the period 1976 to 1981. The pattern of transfers paralled that of earned incomes, accelerating up to 1976 then slowing in the latter period, 1976 to 1981.

Increases in earned incomes on Prince Edward Island came from a variety of sources. In general terms one can note that wages, salaries and supplementary labour income led income growth between 1961 and 1976 but this component experienced very moderate improvements between 1976 and 1981, increasing by only 7.1 per cent in that period. Net income of unincorporated business experienced moderate growth 1961 to 1971, it declined between 1971 and 1976 and has shown rather weak growth between 1976 to 1981. Its share of total income fell from 13.7 per cent in 1961 to 6.1 per cent by 1981. Income from farming was in absolute decline in constant dollars between 1961 and 1971 but has become a leading source of growth in the 70's with major gains in both the early and latter periods. In particular income from farming continued to grow significantly in the period 1976 to 1981 when other sources slowed. Perhaps the largest surprise in terms of income growth on P.E.I. has been the contribution of growth of interest, dividends and investment income which accelerated throughout the 20 year period 1961 to 1981, occupying 10.7 per cent of total personal income in 1981. Thus in 1981, income from this source represented approximately double the value of net farm income.

The steady growth in importance of transfer payments and income from interest, dividends and investment, was part of a general trend across Canada in the 1960's and 70's. The distribution of incomes by source for Prince Edward Island and Ontario are displayed in Table 3, 1951-1981, which indicates the growing importance of these sources in both Provinces over this period of time. One can also identify in Table 3 the relative importance of government transfers to incomes on Prince Edward Island compared to their contribution to incomes in Ontario.

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Table 3

Percentage Distribution of Income

1951 - 1981, by Source, P.E.I. and Ontario

	Wages & Salaries	Military Pay & All	Net Farm Inc.	Net Uninc. Bus. Inc.	Interest Divid.	Government Transfers	Total
				P.E.I.			
1951	39.1	4.6	23.4	14.1	6.3	12.5	100.0
1961	52.0	4.9	6.9	13.7	4.9	17.7	100.0
1971	54.1	5.3	3.4	10.9	5.7	19.8	100.0
1976	55.7	3.7	3.7	6.7	6.6	22.6	100.0
1981	52.5	2.3	5.1	6.1	10.7	22.6	100.0
				Ontario			
1951	68.2	1.1	6.6	11.5	7.5	4.7	100.0
1961	69.9	1.6	2.3	10.9	7.9	7.0	100.0
1971	72.0	0.9	1.1	8.0	8.0	9.6	100.0
1976	72.5	0.7	1.1	5.3	9.7	10.2	100.0
1981	69.3	0.5	0.8	4.7	14.1	10.1	100.0

Stats. Can. 13-201. Statistics on Net Farm Income are two year averages.

Additionally one can also discover in Table 3 the extreme importance of net farm income to total incomes on P.E.I. in the pre 1960's when they valued in the order of 20 to 25 per cent of total personal income. Finally, one can also note the increase in net farm income as a component of personal income between 1976 and 1981 that was mentioned earlier.

3. Per Capita Income Growth on Prince Edward Island

The relative improvement in per capita incomes on Prince Edward Island can be traced to the late-1950's, before which time incomes of Islanders were both significantly below those of Canada generally, and were highly unstable. Diagram 1 shows per capita personal income on P.E.I. as a percentage of Canada and as a percentage of Ontario, 1926 to 1981. Between 1926 and

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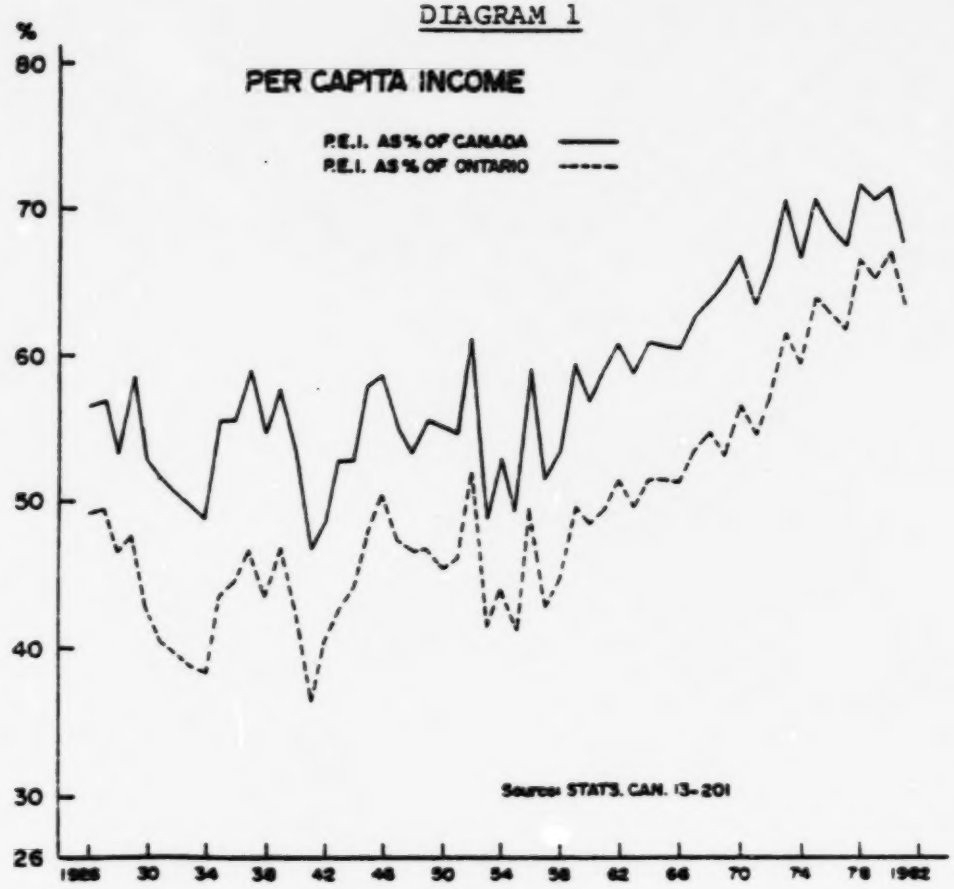
DIAGRAM 1



1960 per capita incomes on P.E.I. were approximately 54 per cent of the Canadian average and 45 per cent of the Ontario average, with no clearly discernable trend. One can see in Diagram 1 that the year to year movements in per capita incomes were extraordinary during this period largely resulting from the volatility of farm incomes.

The years 1958 to 1972 were characterized by an unprecedented upward shift in per capita incomes on Prince Edward Island, from the 54 per cent range to the 66 per cent range of the Canadian average. This upward movement accelerated in 1973 by which time per capita incomes on P.E.I. reached 70.2 per cent of the Canadian average, and while the pace of these gains appears to have slowed in the late 1970's the trend remained upwards, with 71.7 per cent recorded in 1980. Furthermore the stability of income movements was noticeably improved in the 60's as the importance of net farm incomes was reduced. The renewed

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importance of farm income in the period 1972 to 1982 has also led to increased instability.

The Diagram also indicates that improvement relative to Ontario has been even more substantial than that compared to Canada, particularly during the late 1970's when the Ontario economy has been weak.

A simple extrapolation of the progress that was made in the 60's and 70's indicates that P.E.I.'s average income will reach 80 per cent of the Canadian average by about the year 2006. Whether such trends continue can perhaps be gauged by examining incomes by income classes. This also provides an understanding of why average incomes on P.E.I. continue to remain substantially below the Ontario and Canadian averages. Table 4 shows the distribution of the adult population for P.E.I., Ontario and Canada by income classes in 1970 and 1980.

(a) The proportion of adult Islanders with no income at all was substantially the same as for Ontario and Canada in both 1970 and 1980, with 21.9 per cent in 1970 and 13.8 per cent in 1980. The fall in the proportion of adults receiving no incomes between 1970 and 1980 raised average incomes for the population in all Provinces. This was largely the result of increased female participation.

(b) On Prince Edward Island there occurred a significant reduction in the proportion of Islanders in the $0 to $4,999 income group and one can deduce that the large movement of this group into higher income groups was the major factor causing earned incomes on P.E.I. to improve relative to Canada and Ontario. Yet this low income group still contained 32.2 per cent of the P.E.I. adult population in 1980, by comparison with 23.4 per cent for Ontario and 23.9 per cent for Canada.

(c) In Ontario and Canada the proportion of the adult population in the $10 to $14,999 and $15 to $19,999 income groups was virtually unchanged between 1970 and 1980. Yet these groups experienced a significant upward shift in numbers on Prince Edward Island, accounting for 21.5 per cent of the adult population in 1980 compared to 14.6 per cent in 1970.

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Table 4

1970 and 1980 Percentage Distribution of Population 15 years and Over by Income Class, 1980 Constant $, P.E.I., Ontario, Canada

	P.E.I.		Shift
	1970	1980	1970-1980
No Income	21.88	13.80	-8.08
$ 0 - 4,999	38.95	32.21	-6.74
$ 5 - 9,999	20.02	22.92	+2.90
$10 - 14,999	9.50	14.70	+5.20
$15 - 19,999	5.15	7.83	+2.68
$20 - 24,999	2.00	4.18	+2.18
$25,000 +	2.46	4.38	+1.92
	99.96	100.02	+0.06
	Ontario		
No Income	20.44	13.17	-7.27
$ 0 - 4,999	26.07	23.40	-2.67
$ 5 - 9,999	15.12	18.14	+3.02
$10 - 14,999	13.96	14.32	+0.36
$15 - 19,999	11.54	11.33	-0.21
$20 - 24,999	6.08	8.48	+2.40
$25,000 +	6.80	11.17	+4.37
	100.01	100.01	0
	Canada		
No Income	23.78	15.04	-8.74
$ 0 - 4,999	26.98	23.89	-3.09
$ 5 - 9,999	15.69	18.05	+2.36
$10 - 14,999	13.19	13.96	+0.77
$15 - 19,999	9.98	10.64	+0.66
$20 - 24,999	4.97	7.85	+2.88
$25,000 +	5.42	10.56	+5.14
	100.01	99.99	-0.02

Source: 1981 Census of Canada

(d) Probably the most significant difference between P.E.I.'s experience in the 70's from that of Ontario and Canada generally occurred in the $20,000 and $25,000+ categories where the gains on P.E.I. were significantly less.

Thus by 1980, 19.6 per cent of the Ontario population earned over $20,000, compared to 18.4 per cent nationally but this group contained only 8.6 per cent of the P.E.I. adult population in 1980.

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Thus, in general terms it appears that the relative improvement in incomes on P.E.I. was caused primarily by a diminution in numbers in the very low income category $0 to $4,999, with an increase in the medium income range groups. At the same time there was growing disparity with Ontario for the proportions of the population in the higher income ranges.

Table 5 displays the proportion of the adult populations earning $20,000 or more in 1980 and 1970 in each Province. It can be seen that not only does P.E.I. have the smallest proportion of its adult population with income over $20,000, but also the relative movement of the population into that

Table 5

Percentage of Adult Population Earning Over $20,000, by Province, 1970 and 1980

1980 Constant $

	1970	1980	% Shift
P.E.I.	4.5	8.6	+4.1
N'land	5.0	10.7	+5.7
N.S.	6.3	12.0	+5.7
N.B.	5.2	11.1	+5.9
Queb.	8.6	16.1	+7.5
Ontario	12.9	19.7	+6.8
Man.	8.3	15.1	+6.8
Sask.	6.7	17.0	+10.3
Alberta	11.0	23.0	+12.0
B.C.	12.6	23.5	+10.9
Canada	10.4	18.4	+8.0

group between 1970 and 1980 at 4.1 per cent was the smallest in Canada. It is not surprising to find Alberta, British Columbia and Saskatchewan making the largest gains in this income group.

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4. Income Growth and the P.E.I. Economy

The Economic Trends paper "The P.E.I. Labour Market, A Long Term Perspective", No. 15, January 1983, pointed out that employment and labour force growth on Prince Edward Island had been extremely limited in the 20th Century prior to 1961 and that significant growth occurred since that time. Up to 1961, general economic trends were dominated by the large movement of the labour force and population off farms. The improvement in income growth that took place since 1961 was primarily the result of growth of wages and salaries and increasing transfer payments to persons and the growth of income from wages and salaries was largely the result of improved economic opportunities in industries outside of agriculture. The period 1971 to 1976 stands out as a time of major gains to incomes, which were the result of coincident upward movements of wages and salaries, net farm incomes, interest dividends and investment income and increased transfer payments. This period also was characterized by employment growth, general net inmigration to Prince Edward Island, and consequent population growth.

The data indicate that substantial economic gains were made in the early 70's. The Conference Board of Canada's estimates of Gross Domestic Product in constant dollars indicate that between 1971 and 1976 P.E.I.'s G.D.P. expanded by 24.9 per cent, including an increase of 50 per cent in agriculture, 16.7 per cent in manufacturing, 37.5 per cent in retail trade, 38.5 per cent in finance, insurance and real estate, 16.7 per cent in services and 40.9 per cent in public administration. This rapid expansion slowed between 1976 and 1981, but there were still major gains being achieved in agriculture, fishing, manufacturing and finance, insurance and real estate in this later period. In addition, the long term decline in agricultural employment almost halted in the 1970's. However, the economic picture between 1976 and 1982 became over shadowed by serious declines in employment and economic activity generally from 1980 to 1982. In addition net farm incomes slumped since 1980/81.

Looking to the future, it was mentioned that a continuation of past trends would put P.E.I. at 80 per cent of the Canadian income level by about the year 2006. Yet one must be uneasy over the prospect of a continuation of the trends that occurred in the 1960's and 70's. The growing disparities of numbers between P.E.I. and Canada in the relatively higher income groups will cause average incomes on P.E.I. to lag behind the Canadian average in future years if this continues. But to have increased numbers in these higher income groups implies less dependence on transfer payments, and this in turn requires significant industrial change. As was discussed in the previous issue of Economic Trends

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on equalization, higher income levels also go hand in hand with improved self reliance and less dependence on federal transfers generally. The major gains that have been made in the past 20 years have not broken transfer dependence on P.E.I., and future progress for income growth will increasingly need to come from further economic growth coupled with increased employment opportunities in higher paid, higher skilled occupations.